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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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## PART I

OF IMMEDIATE INTEREST

## THAILAND

Although martial law has been proclaimed throughout Thailand, Bangkok is completely calm in the wake of the Thai army's bloodless coup d'etat on 16 September. Former premier Phibun has reportedly reached Cambodia, where he has been granted temporary asylum, and former police director general Phao has arrived in Geneva to begin his exile.

Field Marshal Sarit, now in control of Thailand, has taken pains to convey the impression that conditions are "normal" and that the army's action was only a "small irregularity" rather than a coup or rebellion. In this connection, he has exploited the support of the King to give legitimacy to his actions.

The King on 18 September dissolved the assembly and called for new elections within 90 days. This move is likely to be highly popular in view of the widespread resentment created by the conduct of the elections last February. It will also give some substance to Sarit's pose during the past few months as a "champion" of democracy.

Elections will be held to replace only the 160 elected members of the outgoing assembly. The King has already approved a new list of 123 appointed members, which will give the Sarit army group effective control of the government.

A new provisional government to serve during the interim period has been formed, according to a late press report. It will reportedly be headed by

Worakan Bancha, the finance minister in the Phibun cabinet. Worakan is fairly capable and an experienced politician who had more or less been associated with the Sarit faction during the past two years.

Sarit and other army spokesmen appear to be going out of their way to give assurances that Thailand's pro-Western foreign policy will remain un-



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changed under the new regime. They are, in fact, claiming that they will be more pro-West than their predecessors by citing the Phibun regime's covert contacts with Communist China as an important reason for the army's action. Possibly to underscore the point, Thailand's representative to SEATO's Committee of Security Experts, which deals with Communist subversion, has been given the sensitive job of directing police intelligence activities.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****19 September 1957****MIDDLE EAST DEVELOPMENTS****Syria**

Syrian public expressions of fear of armed foreign intervention appear to have abated following assurances by neighboring countries that they have no intention of interfering in Syria's internal affairs. The Syrians continue to accuse the United States of anti-Syrian moves, but in a less violent manner. Syria seems anxious to avoid any appearance of provocation to its neighbors, and has neither mobilized nor declared a state of emergency.

The rift between Akram Hawrani's leftist Baath party and the Communists has evidently widened following the postponement until next spring of a visit to Moscow by the Syrian parliamentary foreign affairs committee, of which Hawrani is the most influential member. The police have limited the scope of Communist-sponsored anti-American demonstrations in Damascus. All elements of the ruling group remain united, however, on a foreign policy hostile to the West.

**Turkey - Israel**

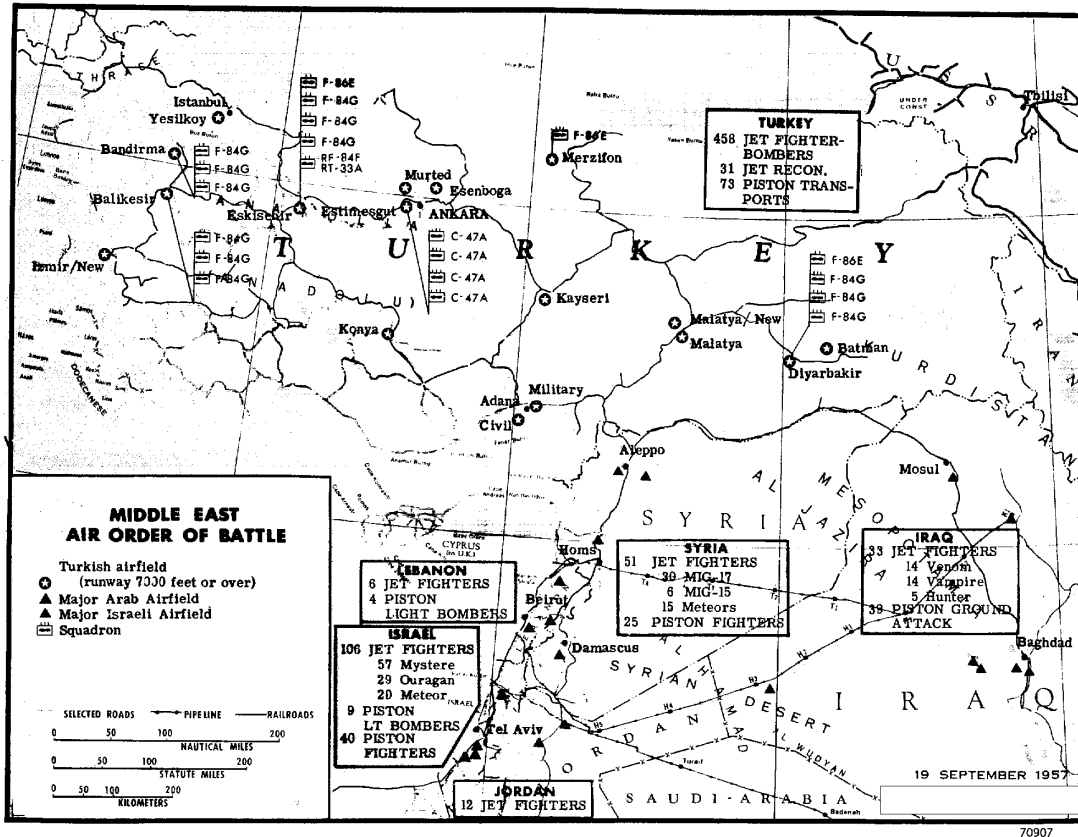
The Turks are gravely concerned over what they believe to be the stockpiling of Soviet materiel in Syria which could make Turkey militarily vulnerable to a two-pronged attack. Many Turks in authority are of the opinion that the Turkish army should march directly into Syria. The planned troop and air deployments now being publicized as "normal maneuvers" will result in the stationing of approximately 30,000 troops and a total of 200 jet aircraft in the vicinity of the Syrian border.

Israel has begun a build-up of army strength both in and behind the Syrian border "defensive zone" and has scheduled parachute maneuvers in northern Israel to start on 17 September.

**Lebanon**

Lebanese fears of Syrian subversion have been made more acute by charges from Damascus that Lebanon is pursuing an anti-Arab policy. The Syrian Foreign Ministry tried to present an official note denouncing Lebanon for serving "imperialistic and Zionist designs" and for receiving Under Secretary Henderson without consulting Syria, but Lebanese Foreign Minister Malik summarily refused to accept it.

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In the Baathist press, Akram Hawrani openly accused "official Lebanon" of being in the service of "Zionism and imperialism." Hawrani charged that Malik had relations with the Zionists, incited the British-French-Israeli attack on Egypt harbored criminal gangs against the Arab cause, and gave the United States encouragement to launch aggression against Syria.

Lebanese political maneuvering, as well as Syrian gun-running and encouragement of dissension within Lebanon, resulted in the ambush of 150 Lebanese gendarmes by Druze tribesmen near the Syrian bor-

der on 12 September. Lebanese army forces have been sent to the area with orders to carry out "hot pursuit" into Syria, if necessary. Such action may result in incidents with Syrian security forces on the border. President Chamoun has urged immediate delivery of American equipment for the gendarmerie, preferably by airlift. He is planning to add 400 men to this force within the next two months.

**Saudi Arabia**

King Saud, now vacationing in Switzerland, intends to pay a short visit to Damascus on his

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return to Saudi Arabia next week, according to press reports. Such a visit would probably be a gesture of support for President Quwatli, although Saud has stated that he is out of sympathy with the present Syrian regime.

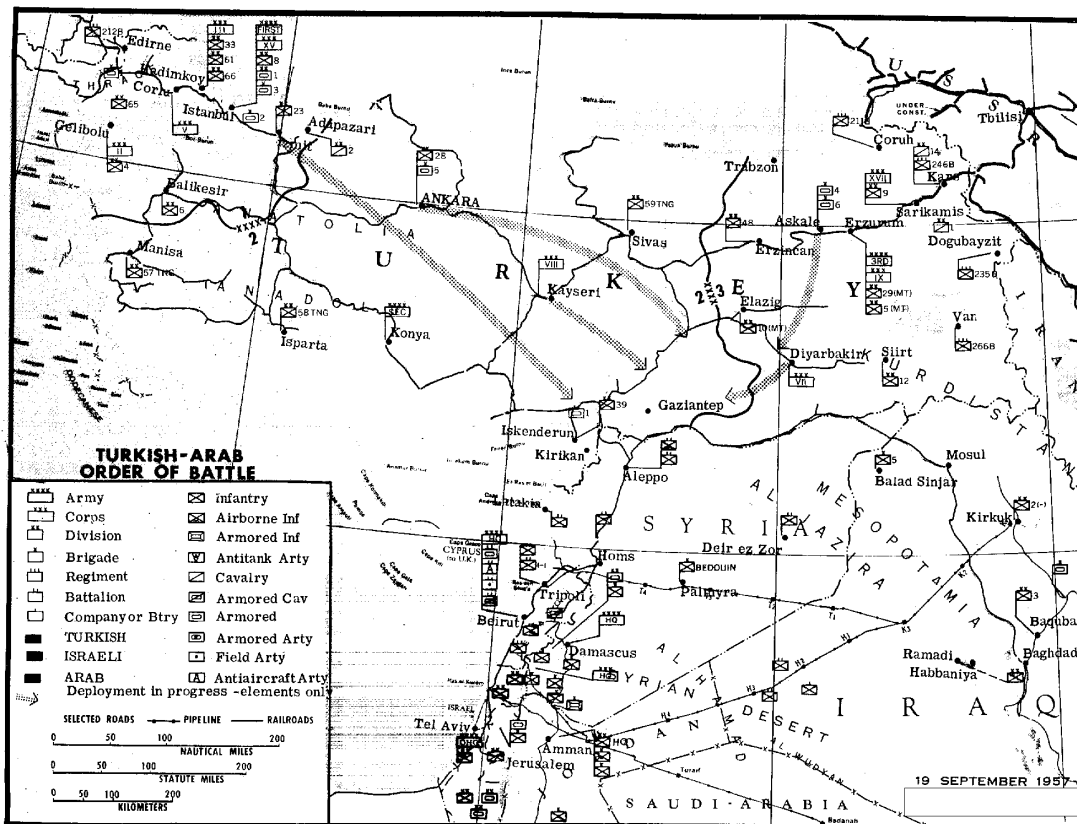
**Jordan**

King Hussayn returned directly to Jordan from his European vacation on 15 September and is now faced with making a decision on the future of parliament. The King has the choice of dissolving parliament and holding new elections, or sus-

pending the constitution for two years, either of which would be politically embarrassing. An alternative solution may be to hold "free elections" to fill the seats of representatives who either fled from Jordan or are accused of plotting against the King. This move would give an appearance of democratic government while ensuring control of parliament by the government.

**Soviet Bloc Moves**

The USSR moved last week to forestall forceful intervention by Syria's neighbors and



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to stiffen the Syrian regime's resistance to external pressures. These moves included the announcement on 18 September of the imminent visit of a Soviet cruiser and destroyer to Latakia, the Bulganin note to Turkish Prime Minister Menderes, and public and private warnings to Israel to avoid "provocative moves against Syria." The Soviet leaders probably believe Turkey and Israel are the only two Middle Eastern states capable of effective military intervention, but may also have calculated that the warnings would deter Syria's other pro-Western neighbors.

The Soviet announcement of the "friendship call" of fleet units to Latakia in response to a Syrian invitation suggests that Moscow is optimistic that the danger of "armed aggression" against Syria has passed. Moscow is apparently interested in establishing its presence in the alignment of Mediterranean sea power, and will closely watch international, and particularly Arab, reaction to the visit. The Soviet ambassador to Egypt, who returned to Cairo on 5 September, possibly informed Nasir of the proposed fleet movement on 10 September, and there were possibly further conversations during Syrian Chief of Staff Bizri's visit to Cairo on 11 and 12 September. There is no indication that the Soviet units plan to call at any other Middle East ports before returning to the Baltic.

Bulganin's message to Menderes of 10 September charged that the United States has assigned "a certain role" to Turkey "in the plans to unleash military action against Syria." After appealing to the Turkish government to refrain from armed intervention, Bulganin repeated

Foreign Minister Gromyko's warning of the same day by asking how the Turks would feel "if foreign troops were being concentrated on their borders."

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Soviet propaganda charged the Israelis with increasing tension along the Syrian-Israeli border, and Pravda, reviving a theme used during the Suez conflict, warned that Israeli policy "conceals a danger to the very existence of Israel as a state."

Another Soviet bloc move was a Rumanian proposal for a meeting to discuss a nonaggression pact linking Turkey, Greece, and Yugoslavia with the Balkan satellites. This demarche appears timed to draw prompt rejections from Turkey and Greece which could be used to document Soviet charges of Turkey's aggressive intentions, backed by its NATO partners.

These various Soviet maneuvers to deter military intervention probably are intended to place the USSR in a position to take credit for any relaxation of tension in the Middle East. The close parallel between Bulganin's note to Menderes and his warnings of 5 November 1956 to Eden, Mollet, and Ben-Gurion suggests that Moscow is seeking to repeat its Suez gambit.

It is likely that the USSR will use the United Nations General Assembly as a platform for pressing its attack on Turkey, Israel, and the Western powers for alleged plans to intervene in Syria.

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**DISARMAMENT ISSUES AT THE UN**

Disarmament issues, particularly the question of stopping nuclear tests, will probably provoke the most heated East-West debate at this assembly, with both sides vying for the support of the uncommitted countries. New moves on various aspects of disarmament are being made by India, Japan, and Belgium as a result of the failure of the London talks.

Soviet Foreign Minister Gromyko on 10 September listed as priority subjects for assembly consideration the cessation of nuclear tests, the withdrawal of foreign troops from European countries, and other Soviet disarmament proposals. The USSR will also exploit the Czech request for UN debate on the harmful effects of radiation.

India has officially requested that this assembly consider enlarging the 11-member UN Disarmament Commission and the five-country subcommittee on the theory that the views of other areas of the world would encourage agreement. The USSR made a similar proposal last year.

Japan has drafted a resolution calling for suspension

of nuclear tests and for resumption of negotiations on subsequent supervision and inspection, but with no provision for stopping production of nuclear weapons--a point considered vital by the West. Japanese officials explain that public opinion throughout the world is more concerned with nuclear tests than with any other disarmament problem and that strong domestic pressure forced the government to take this action.

Belgian Foreign Minister Larock has proposed that the UN initiate a world-wide publicity campaign about the destructive effects of the armaments race and nuclear weapons. Larock is convinced that such an information program would have some effect in the USSR, if Moscow permitted dissemination, and would not change present public reactions in the free world to Western military programs.

Ambassador Lodge believes that if a Soviet proposal for suspension of nuclear tests is the first to be put to a vote, any government which votes against it or abstains would be accused at home of favoring continued unrestricted testing.

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## PART II

NOTES AND COMMENTS

## NASIR'S REACTION TO SYRIAN DEVELOPMENTS

Recent developments in Syria have stimulated Egypt's President Jamal Abd al-Nasir to resume his usually active role in Arab affairs and on 9 September he announced his full approval of Syria's actions. Since the Egyptian parliamentary elections in early July, Nasir had been preoccupied largely with domestic matters.

Nasir's initial reaction to the leftist "coup" in Syria in mid-August apparently was genuine displeasure combined with consternation; he knew practically nothing about the background and beliefs of Syria's new chief of staff, Afif Bizri, and was concerned over the extent of the leftist trend.

Consequently the Cairo press and radio, while supporting the Syrians, devoted most space and time to attacking the American "imperialist conspiracy," thereby serving to conceal Nasir's personal hesitation. On 9 September, in an interview with the editor of Al Ahram, Nasir for the first time publicly and unequivocally supported Syria's "nationalistic" development, and causitically criticized American policy. Since that time both Bizri and Lt. Col. Abdul Hamid Sarraj, chief of Syrian intelligence, have visited Cairo, apparently to acquaint Nasir with the new army commander as well as to discuss common policy.

Nasir's wholehearted support of Syria appears now to have intensified Egypt's isolation within the Arab world. Although the reactions of other Arab states to events in Syria have varied, all have been

markedly concerned over the leftist and pro-Soviet aspects. Nasir's approval will associate him even more closely with the pariah which Syria has become in conservative Arab opinion.

Nasir's latest actions leave little doubt about his attitude toward the West, but the extent of his attachment to the Soviet bloc remains questionable. He apparently continues



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to believe that "positive neutralism" and "Arab nationalism" will permit exploitation of both East and West to the advantage of Egypt.

The intensified anti-American propaganda campaign may reflect Nasir's decision to align himself more firmly with the Soviet bloc. On the other hand Egypt has been maintaining a careful and proper attitude toward Britain and France, suggesting that Nasir realizes that these nations are his most likely sources of revenue. Egypt has held preliminary financial discussions with British

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representatives in Rome and Basel, and more recent talks with the French in Geneva. Little can be expected from such meetings until Nasir feels the need to make some concession.

Despite forecasts of Egypt's imminent economic collapse made during the last year by many anti-Nasir sources, Egypt continues solvent. Suez Canal transits and revenues are normal and the waterway is being relatively well managed, although there are indications of a shortsighted policy with regard to maintenance and improvement which will undoubtedly bring difficulties if not changed. New oil deposits of undetermined quality recently discovered in the Sinai have raised the possibility that Egypt may become self-sufficient in petroleum. An aggressive, expanding drive for new markets for Egypt's products, particularly cotton, is making headway, although heavy dependence on the Soviet bloc continues.

Egypt still resents the fact that the Western powers froze its foreign exchange in their countries but is learning restraint and economy in foreign spending. The restrictions on numerous foreign im-

ports have brought murmurs of resentment from the population, especially from the embittered and ineffectual upper class, but this policy has saved the government badly needed foreign exchange.

Most large-scale internal development schemes have been shelved, but in view of the extreme importance Nasir has publicly attached to the Aswan high dam, plans for its preliminary construction work are going ahead. Nasir must make at least a token effort on the Aswan dam, although the funds available are not sufficient for completion of a project of such magnitude.

Nasir has succeeded in keeping the shaky Egyptian economy limping along, but still must maintain the impression of activity and progress. If the regime can create enough dramatic political situations, or take advantage of such ready-made ones as that presented by Syria, Nasir will be able to distract the Egyptian public from its own difficulties and maintain the illusion of "progress." Failure to devise prestige-saving schemes at the right time might yet prove more perilous to Nasir than any other problem he faces.

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**YUGOSLAV-SOVIET RELATIONS**

Yugoslavia appears to be granting increasing support to the USSR on international issues although Belgrade is determined to retain its independence of Moscow. Some top Yugoslav Communists reportedly oppose a closer rapprochement with the USSR. Circumstances suggest that in exchange for this cooperation, Tito has received assurances from Khrushchev that Yugoslavia and other Communist countries will be allowed to

follow their own independent "roads to socialism."

Belgrade has generally maintained a position similar to Moscow's on disarmament, European security, German unification, and the Middle East and has been moving closer in recent months to the Soviet position on Hungary. In the past few weeks, it has taken a more forthright position on these issues, voting with the

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Soviet bloc against the UN condemnation of Hungary, and formally endorsing for the first time in the Yugoslav-Polish communiqué the Oder-Neisse line as the permanent Polish-German border. It also appears that Yugoslavia may be moving closer to recognition of the East German government.

The closeness of Belgrade's cooperation with the bloc on foreign policy views is suggested by the likelihood that Yugoslavia was consulted prior to issuance of Rumania's invitation to the heads of government of Bulgaria, Albania, Greece, Turkey, and Yugoslavia to meet in Bucharest to discuss matters of mutual interest, including a nonaggression pact. Tito met, in advance of the Rumanian proposal, with Rumanian Minister of Defense Bodnarus and Foreign Minister Maurer on 29 August during their unexplained visit to Belgrade. He has warmly endorsed the Rumanian proposal and indicated his willingness to participate.

In their talks with Yugoslav leaders in Belgrade from 4 to 8 September, British Foreign Secretary Selwyn Lloyd and his chief adviser Sir William Hayter gained the impression that Tito in the meeting in Bucharest in August had assured Khrushchev he would refrain from pushing matters in Eastern Europe. The Yugoslavs seemed confident of their independence of Moscow and believed that the ascendancy of Khrushchev would afford real opportunities for the satellites to develop varying degrees of independence.

In a conversation with British Labor party leader Gaitskell during the latter's vacation in Yugoslavia, Tito expressed faith in Khrushchev's sincerity and assured Gaitskell that the present leadership would relax international ten-

sion as soon as the Soviet economic and political situation improved.

During the British-Yugoslav talks, Vice President Kardelj, the leading Yugoslav theoretician, counseled Lloyd not to pay too much attention to the words of the August joint statement that Tito and Khrushchev see eye to eye on all major international issues, and noted that while the Yugoslavs and Russians are agreed on international issues, they do not necessarily agree on details. He added, however, that by virtue of their common interests as Communist states, Yugoslavia would agree more and more often with Moscow on international issues.

**Internal Repercussions**

Closer rapprochement between Moscow and Belgrade might result in a crisis within the Yugoslav Communist party

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Kardelj, backed by the Slovene and part of the Croatian central committees, had opposed the extent of rapprochement reached before the Hungarian uprising and believes that Khrushchev's tougher internal rule in the USSR, coupled with Tito's "pro-Soviet course," must be distasteful to the more "Westernized sector of the party." Kardelj has been an outspoken critic of the Kremlin and probably is more suspicious than Tito of the present Soviet leadership.

Evidence concerning the existence of factions within the Yugoslav party has been fragmentary and conflicting, although top leaders are believed to have approached the question of relations with the USSR with varying degrees of caution. Westernized elements in the party leadership are probably

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concerned over the long-term effects of a growing Yugoslav-Soviet rapprochement on internal affairs and Yugoslavia's independent "road to socialism." Some of Tito's followers may fear that if Yugoslavia is too closely aligned with the USSR at the time of his death, the country might easily succumb to Soviet domination.

Differences among party leaders may in part explain the recent postponement of the seventh party congress from November to next April. Internal disagreement in the Yugoslav party over foreign policy is unlikely to reach a crisis in the near future, but opposition of the Westernized elements, backed by popular aversion to close Yugoslav-Soviet ties, will presumably act as a brake on too close a rapprochement with the USSR.

Tito-Gomulka Communiqué

The joint Yugoslav-Polish declaration issued in Belgrade on 16 September attempted--apparently in deference to Moscow--to gloss over the areas of disagreement still existing between the two "liberal" Communist countries and the Soviet Union. The week-long conference between Tito and Gomulka was punctuated by public statements designed to allay Soviet suspicions of an incipient Warsaw-Belgrade axis.

Only in the field of foreign policy, however, did the document fully adhere to the Moscow line. In addition to accepting the Oder-Neisse boundary as the "final" Polish-German frontier, the communiqué urged an immediate unconditional ban on atomic testing, called for bilateral negotiations between East and West Germany as the basis for German reunification, and supported a UN seat for Communist China.

The USSR was not specifically mentioned in the text of the declaration. Instead of acknowledging the Soviet Union's primacy in the bloc, the signatories offered as a formula for intrabloc party relations their own principles of "proletarian internationalism: solidarity, mutual aid, sovereignty, equality, friendship, and noninterference in internal affairs." They reaffirmed the correctness of the "different roads to socialism theory" and emphasized that bilateral relations between parties should particularly be developed.

The Yugoslav and Polish parties pledged themselves to "cooperation with all progressive forces in the world." In an earlier statement Tito had made it clear that he included in this category even socialist-minded non-Communist workers in capitalist countries, a definition at sharp variance with the Soviet attitude.

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**FRENCH POLITICAL CRISIS**

Overwhelming opposition to Premier Bourges-Maoury's proposed basic statute for Algeria and dissension over his austerity program have severely shaken his minority government. Frantic efforts are being made to reach a compromise, but the premier's chances of surviving the next two weeks of debate are dim.

The government's last-minute concessions on both issues before the National Assembly reconvened on 17 September failed to retrieve its support, and right-wing deputies are now demanding more concessions. In a new effort to resolve differences over Algeria, the premier--reportedly at the instigation of President Coty--has

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scheduled for 20 September a round-table discussion by leaders of all parties except the Communists and Poujadists.

Center and left-wing elements of Bourges-Maunoury's support are apprehensive over the import of concessions already made, and the Socialists and Popular Republicans are expected to insist that no changes be made in the proposed Algerian statute. The dissension may openly split the cabinet, and the premier reportedly may resign rather than face defeat or be left with a narrow margin of support.

With little or no room left to maneuver, Bourges-Maunoury's chances rest largely on the hope that a general re-

luctance to have a prolonged cabinet crisis coincide with the UN General Assembly debate on Algeria, or to weaken France's position vis-a-vis the Algerian rebels, will keep him in power. A spokesman for the rightist Independent and Peasant bloc has already indicated, however, that its leadership could not block an adverse vote by the backbenchers "even if it wanted to," which he believes is not the case.

Even if the attacks are tempered and the premier survives the two confidence votes expected before the end of the month, American officials in Paris are convinced he will face even more serious trouble during October and November.

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**OUTCOME OF INDONESIAN ROUND-TABLE CONFERENCE**

The principal outcome of the Indonesian national round-table conference from 10 to 14 September probably will be to slow temporarily the development of autonomy in the provinces. There was, however, little specific achievement on which to build improved relations between Djakarta and the outlying provinces. The non-Javanese areas are likely to adopt a "wait-and-see" attitude toward Djakarta's promises of reform, but are unlikely to cease barter trade and self-government through provincial councils.

The final resolution of the conference welcomed the joint statement of President Sukarno and former vice president Hatta in which they expressed willingness to cooperate; approved the decisions of the working committees; and stated that normal relations between the central government and the regions "have been restored on

the basis of the constitution and existing laws."

Although the final resolution was claimed to have been unanimously passed, Lt. Col. Sumual and Lt. Col. Lahade of North Celebes reportedly did not sign it. The military working committee was unable to reach agreement before the conference closed and has passed its problems on to another committee composed of individuals, including Sukarno and Hatta, whose views are directly in conflict on military as well as most other issues. The committee, moreover, is unlikely to get down to business for some time in view of Hatta's departure on a 40-day tour of Communist China.

The joint statement signed by Sukarno and Hatta is also vaguely worded, and no firm indication they are actually close to agreement. Abdulgani, vice

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chairman of the National Council, has publicly stated that the two need "more time" and that the "old wounds...require time as well as treatment."

the conference has made Sukarno aware of the extent of regional discontent. There is no evidence, however, that he is will-

ing to make any significant concessions on such demands, set forth by Hatta and regional leaders, as revision of his concept of "guided democracy," repudiation of his Communist support, or the appointment of Hatta to a position of real leadership in the government.

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**CHINESE COMMUNIST TRADE AND AID AGREEMENTS WITH CEYLON**

The Sino-Ceylonese rice-rubber trade agreement concluded last week after a month's negotiations in Peiping provides for a somewhat lower volume of trade and denies Ceylon the favorable balance and premium prices of the agreement signed in 1952. To offset Ceylon's disappointment, the Chinese will make an outright grant, which will advance Peiping's program for the peaceful penetration of South Asia.

Under the terms of the existing trade agreement, which ends this year, 50,000 tons of Ceylonese rubber were exchanged each year for 270,000 tons of rice, and the Chinese were required in addition to make substantial annual cash payments to Ceylon to balance the trade. Under the new agreement, Peiping in a straight barter deal will provide 200,000 tons of rice annually in exchange for 30,000 tons of rubber.

In addition, Peiping will no longer pay premium prices for Ceylonese rubber as it has the past five years. However, Peiping will give Ceylon a grant of \$15,750,000 in economic aid over the next five years. These funds, to be derived from the sale of Chinese consumer goods exported to Ceylon, will be used to finance Colombo's rubber replanting program. The amount

of the Chinese grant, however, falls considerably short of the \$38,000,000 profit for Ceylon under the old agreement.

Prime Minister Bandaranaike very likely will come under heavy opposition criticism when the extent of this setback becomes known on the island.

For the past two years, Peiping had been unsuccessful in developing new markets in Ceylon, which has been unwilling to accept Chinese goods. The Ceylonese government apparently reversed its stand under pressure from Peiping.

The new agreements will advance the coordinated Sino-Soviet effort to achieve closer economic ties with Ceylon. Shipment of 30,000 tons of Ceylonese rubber to the mainland will come close to meeting China's internal annual requirements of about 40,000 tons. China will still be free, moreover, to make large purchases of rubber elsewhere in Asia, particularly in Malaya, where Peiping is anxious to acquire greater political influence and eventual diplomatic recognition. Even more substantial Chinese rubber purchases in Malaya can be made if Peiping continues to act as a major purchaser of rubber for the rest of the bloc.

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**REORGANIZATION OF COLLECTIVE FARMS ANNOUNCED BY PEIPING**

Increasingly concerned over difficulties with collective farms, the Chinese Communist party central committee has issued three new directives which amount to an important retreat from the "high tide of socialism" proclaimed by Mao Tse-tung in 1955. The measures include orders for a general reduction in the size of collective farms, adaptation of production methods to local conditions, and "adjustment" of economic benefits for the peasants. They reaffirm that collective members may engage in private side-line pursuits.

The unusual timing of these orders for changes--just as the crucial fall harvest is beginning--indicates Peiping's anxiety over its position in rural areas, and is an indication that Peiping still hopes to bring recalcitrant peasants into line without the use of terror.

The Chinese Communists have been plagued by growing trouble in rural areas this year. Peiping has repeatedly manifested annoyance not only with disappointing production achievements by the new collectives but also with their failure to collect the state's share of the harvest. Early last month Peiping announced the start of a mass campaign for "socialist education" in the countryside to remedy these faults by stepped-up indoctrination. The new moves appear designed to supplement this campaign with specific measures for strengthening the collective system and alleviating some peasant grievances.

The most important aspect of the projected reorganization is a general reduction in the size of collective farms--which average 155 households per collective. The central committee now says that a village of 100 households should be considered

as "one unit consisting of several collectives."

The scaling down of collective farms is an admission that there are still not enough officials capable of handling the relatively more complex tasks involved in operating large units. This change is probably also intended to help ameliorate peasant dissatisfaction with the top-heavy bureaucracy used to operate the big collectives. Consideration for peasant attitudes is indicated by instructions that production methods will be adapted to local conditions.

Official comment on the directives suggests that Peiping intends to play for the support of the poorer peasants and use them to keep the comparatively well-to-do peasants in line. The Communists acknowledge that the latter group--about 20 percent of the rural population--are the most skillful farmers but note they have wavered in their loyalty to the regime's agricultural program. Cadres are ordered to "unite with" these people and improve their ideological position through "criticism, persuasion, and education." Rewards for peasants overfulfilling targets and penalties for those failing to meet norms will be established to provide further incentives.

The central committee pronouncements make the suggestion that once the collective farms are reduced in size there should be no further changes for ten years. These hints appear intended only to give the peasants a temporary feeling of security, however, and the Communists will probably attempt to recover any ground they lose in rural "socialization" as soon as they believe the situation permits it. (Prepared jointly with ORR)

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Japan's opposition Socialist party is sending "good-will" missions to the United States and the Soviet Union in an effort to bolster its sagging prestige at home and counter the Kishi government's increasing popularity. Ambassador MacArthur believes the month-long visit to the United States, beginning 29 September, will bolster moderate elements in the party and correct misconceptions of American policies. The delegation to the Soviet Union, which will arrive in Moscow on 26 September, will reassure the leftist elements of the party and popularize neutralist policies.

The visits have been timed to enhance the Socialists' prospects in national elections anticipated for early 1958. They are also designed to advance the international recognition of the Socialists.

The Socialist party, composed of left- and right-wing factions, is presently dominated by extreme leftists. The party moderates are hopeful that the trip to the United States, to be led by former chief of the

"Right Socialist party" Jotaro Kawakami, will strengthen their position in the party, lead to the adoption of moderate party policies, and enhance Socialist respectability in the eyes of the Japanese electorate.

The mission to the Soviet Union, which will ultimately tour the other bloc countries, is composed largely of leftist elements. It will be headed by former prime minister Tetsu Katayama, who lends prestige to the mission and, although not a member of the extremist faction of the party, advocates a neutralist position for Japan in international policies. This delegation will be received by Khrushchev and other top Soviet leaders, who undoubtedly will emphasize the USSR's preference for the Socialists and Moscow's willingness to stop nuclear tests and protest American bases in Japan.

After the mission's return to Japan, the Socialists will be quick to compare the treatment they receive in the United States and the USSR.

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**COMMONWEALTH FINANCE MINISTERS' MEETING**

The four-day meeting of Commonwealth finance ministers at Mont Tremblant, Quebec, beginning 28 September, will

probably focus on the problems raised by British efforts to start a European industrial free trade area linked with the

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six-nation Common Market. Many European countries insist that the project must include agricultural commodities, while the Commonwealth countries demand that their agricultural goods retain their 5-percent tariff preference in the British market.

London's increasing concern with this conflict is indicated by the 12 September announcement that Britain's free trade area negotiator, Reginald Maudling, who was given cabinet status on 16 September, would be included in the British delegation. The conference had originally been called by the new Canadian government to discuss the holding of a full-scale Commonwealth trade and economic conference in 1958. In mid-August, British officials had informed the American embassy they planned to make only a brief progress report on the free trade area project and contemplated no prolonged discussion. The Commonwealth prime ministers' conference last June had taken a generally tolerant attitude toward British participation in this project.

Since then, talks with several Common Market countries may have convinced London of the need to give some ground on the exclusion of agriculture if a European free trade area

is to be achieved. Uneasiness has grown in the Commonwealth countries that Britain may succumb to European demands, or compromise by protecting the interests of British farmers at the expense of those elsewhere in the Commonwealth.

Presumably, Britain remains aware of the danger of weakening the Commonwealth tie by undermining Commonwealth tariff preferences. Some 90 percent of Commonwealth exports to Britain are agricultural commodities, and a number of these are of key importance to the exporting country. Ghana, for example, is known to object to any arrangement that would subject its cocoa to sharper competition from the French African territories as the Common Market already promises to do.

At Mont Tremblant, Maudling may therefore sound out the Commonwealth countries on some arrangement for excluding specific commodities from the free trade area, rather than making a blanket exception for agriculture as such. The outcome of Britain's talks on the free trade area project with its fellow OEEC members in mid-October may well depend on its having reached some such understanding at the Commonwealth conference.

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**ITALIAN PARLIAMENT RECONVENES**

With the Italian parliament now reassembling for its fall session, there appears to be a tacit agreement among the parties to continue Premier Zoli's minority Christian Democratic government in office until the national elections which must be held by June.

After the prolonged political controversy of early summer, which for a time made it appear that Premier Zoli had no alternative but to seek an early dissolution of parliament and fall elections, the coming legislative session will be anticlimactic. The parliament will have to pass the budget and the Senate will ratify the EURATOM and Common Market treaties. The only controversial measure on the parlia-

ment's agenda is the agrarian contracts bill.

Specific points of dispute on the bill include the categories of farm tenants to be covered, a definition of "just cause" for the landlord to dismiss the tenant, and the conditions under which contracts shall be renewed. The Communists and Nenni Socialists, intent on preparing positions for electioneering next spring, demand that the bill be so worded as practically to assure the farmer permanent tenure. As a result, the lower house is now committed to debate the 69 articles of the bill individually and over a hundred amendments have already been proposed; the bill is expected however, to pass eventually in some recognizable form.

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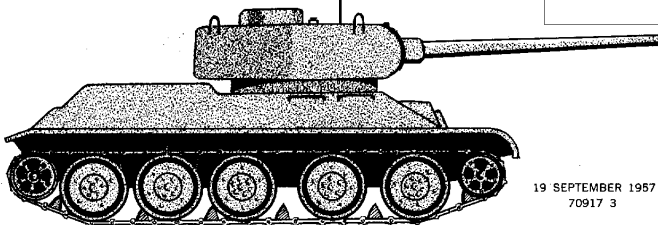
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**SATELLITES PRODUCING SOVIET T-54 TANK**

A changeover in tank production from the Soviet T-34 medium tank to the more heavily armed T-54 has been made in Czechoslovakia, is now under way in Poland, and may be contemplated for East Germany. Soviet agreement to modernize Poland's tank production indicates the Kremlin does not anticipate any loosening of Poland's adherence

T-34 MEDIUM TANK

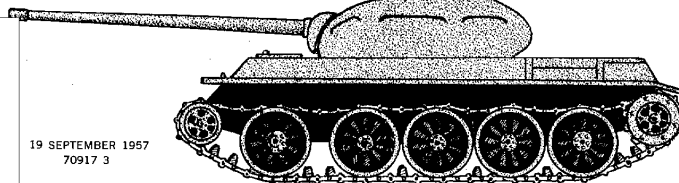
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to the Warsaw pact. Production of T-54's in the satellites suggests also that the Soviet Union has developed an improved medium tank which may eventually replace the T-54 in Soviet units, inasmuch as the USSR's policy has been to equip satellite armies with weapons superseded by more modern weapons in its own forces.

In Czechoslovakia, output of the old T-34 is reported to have ceased in January 1956 in favor of the T-54. Forty-four T-54's, presumably of Czech manufacture, were sighted in Czechoslovakia early in 1957.

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T-54 MEDIUM TANK

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In July, four T-54's were observed in the Polish army's Orzysz training area. By the end of 1958, output in Poland will probably be at a rate of 60 per month, permitting re-equipment of the Polish army by mid-1961 to the wartime level of 2,400 units.

The East German army is being equipped with T-54's, and East German experts were reported in February to be investigating the country's tank production capabilities. East Germany produces no tanks at present but has extensive repair and reconditioning

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facilities for the tanks of the Soviet forces located there.

Throughout the bloc, at this time, the T-54 is merely

supplementing the T-34 but presumably will replace it eventually.   
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**PART III****PATTERNS AND PERSPECTIVES****THE NEW POLISH "ECONOMIC MODEL"**

Poland's new Economic Council has been working for some months on a plan for overhauling the Polish economy to achieve greater efficiency and satisfy the consumer. Measures being considered under this project--referred to as the "new economic model"--include giving some enterprises greater freedom to plan, buy, and sell, revising the incentive system, and using in the price system such capitalist devices as interest on fixed capital. Such proposals constitute an assertion of independence from Soviet dictates and dogma and have been criticized by Moscow as revisions of Marxism.

For more than a year, Polish economists have subjected economic policy to a fierce and searching debate which has extended to the theoretical basis of Polish socialism itself and the form of its economic organization.

**Economic Council**

When Gomulka came to power in October 1956 he created an advisory Economic Council, a commission of 35 experts headed by Oscar Lange, university professor and delegate to the Sejm. Its responsibility is to work out principles and methods for a "new economic model" for changes in the Polish economy to be introduced piecemeal over the next few years. The council has thus far concentrated on problems of the industrial sector.

The "conservative" council members view with distrust incentives characteristic of free enterprise and favor continuation of production by state directive. The "liberal" members, on the other hand, hold that a free market would

be the more efficient regulator of most aspects of economic activity. Most of the members appear to favor an approach somewhere between these extremes but closer to the conservative view.

The majority position is that the waste of scarce materials and capital goods brought about by the present system is too costly, in view of Poland's limited resources and dependence on foreign trade, and in addition that the system encourages a marked disregard for the satisfaction of consumer needs on all levels of administration.

The majority also believes the drain on the country's resources could be reduced by creating strong incentives for managers and workers alike to minimize costs and render production responsive to demand. Numerous proposals, some of them radical revisions of Marxism and many inspired by the Yugoslav experiment, have been advanced in this connection. These will probably lead to recommendations for less comprehensive, less centralized, and less rigid methods of planning to facilitate the adjustment of production to unexpected conditions of supply and demand.

The allocation of total investment by sector and major industry and the establishment of general production goals for capital goods and basic materials--considerations most directly related to economic growth--will probably still be subject to planning by "administrative decree." Varying degrees of control will be applied to enterprises. Depending on their economic importance and functions, some will remain under close state direction, while others will have increased freedom to

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set mutually consistent targets and to decide on buyers and suppliers. It has been recommended that most private, cooperative, and locally administered enterprises be permitted to buy and sell in a free market. The activity of most state enterprises, however, will be regulated indirectly through state control of prices rather than by direct government supervision of production as at present.

**Revision of Price System**

State regulation of production through the indirect influence of prices would require major revisions in both the incentive and price systems. The present bonus system encourages production at any cost. A revised incentive system would pay enterprises higher bonuses for increasing profits or reducing costs than for fulfilling the production plan; and these bonuses would be shared by the workers. This type of financial incentive, in the view of the council, is vital to the "new economic model," since without it prices would have little or no effect on production.

For the proposed revision of incentives to be useful, profits must reflect the relative efficiency of enterprises. Many Polish economists are arguing, in accord with Western theory, that profits cannot serve this end unless prices on the producer level measure the relative scarcity of different products. To achieve this, it has been proposed:

(1) to eliminate state subsidies in most industries (subsidies have already been considerably reduced by the 1956 price reform);

(2) to raise prices in certain industries by setting them nearer or equal to costs in the least efficient plant producing the item concerned,

rather than at the costs to average plants as at present;

(3) to charge the producer interest for the use of fixed capital--buildings and machinery;

(4) to charge rent on natural resources used in extra-active industries;

(5) to adjust producer selling prices to reflect at least fairly long-term shortages or surpluses (not short-term ones, since it is argued that complete price flexibility would lead to drastic price fluctuations).

By including interest and rent in prices, part of the waste under the present system would be avoided and production efficiency increased. It should be emphasized, however, that relative scarcities (and so prices) of basic products would reflect conditions created by the state's economic plan. Indirectly, therefore, the state plan would guide production. This is why Polish economists can claim that such capitalist devices as interest and rent would serve socialist ends.

**Role of Consumer**

The role of the consumer market in the price system has not been spelled out in the proposals, but the council apparently visualizes the consumer demand will influence consumer goods production more directly than it has in the past. If the price level of consumer goods is held stable--as is desired by the council--and prices of these goods at the producer level are raised, then the turnover tax--i.e., the difference between the producer price and the cost to the consumer--will diminish. Consumer demand would then be in a position to affect producers' profits, and, through profits, assortment and perhaps volume in production of consumer goods, such as clothing.

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A moderate degree of consumer sovereignty over at least the types and quality of consumer goods produced need not interfere with the planner's basic objectives. Indeed, it may facilitate the ultimate achievement of these objectives by better satisfying consumer wants with given resources.

In conjunction with Gomułka's other economic policies, the proposed reforms promise a better deal for consumers and a more balanced form of economic development. Since they would improve the efficiency of the economic system--thereby facilitating the achievement of national goals and, at the same time, increasing the independence of the producers and benefiting the consumers--they offer some common ground for both

conservative and liberal opinion. But once in force they would tend to institutionalize the limitation on the government's freedom of action which popular pressure might only temporarily impose.

The proposals for a "new economic model" are an assertion of independence from Soviet dictates and dogma. While some of them parallel those being undertaken in the Soviet Union--decentralization and cutbacks in subsidies--others make use of concepts described by Soviet writers as "capitalist." These have provoked Soviet critics to assail the Poles for "demanding a revision of Marxism in the light of Western economic thought."

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(Prepared by ORR)

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## NEW STATUS OF THE SOVIET INDUSTRIAL ADMINISTRATOR

The nature of the Soviet economy and the rigid hierarchical system of administration have created special problems and intensified others for the top-level industrial administrator in the USSR. The perennial problem facing the Soviet industrial minister or deputy minister is comparable to that which temporarily confronted the American corporation executive during World War II--he must continually stretch material supply and manpower resources to obtain constantly increasing production. This situation was not altered by Khrushchev's reorganization of industrial and construction administration, which reaffirmed the overriding goal of "catching up" with the West.

Though some have been reassigned to duties in Moscow, ministers and deputy ministers of both USSR and republic governments predominate among those thus far identified as heads of the new councils of national economy (sovnarkhozy). The primary responsibility of these men continues to be the fulfillment of obligations levied on industry by the party and the state. The success of the administrator is measured by his ability to achieve assigned economic goals under adverse conditions.

Ministers and deputy ministers of the now abolished industrial ministries are generally persons of considerable administrative ability. For the

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most part, they have had higher educations and years of experience at all levels in industrial management. While party membership has been a prerequisite for their rank, many do not have any obvious ties to members of the top party leadership, and their status on the party central committee, at least prior to the reorganization of industrial administration, seems to have been largely the result of their cabinet rank.

The typical industrial minister is about 52 years old and has worked in his special field for most of his adult life. He has come up through the ranks of industrial management, having begun work perhaps as a shop foreman after graduation from a higher technical institute and thereafter advancing steadily. He usually holds the Order of Lenin or a similar prize for outstanding performance, awarded for fulfilling wartime production tasks, since almost none of these men could be spared to fight at the front. This is the type of specialized industrial administrator assigned to head the sovnarkhozy.

**Social Status**

In the past, ministers and their deputies have received pay which seems abnormally high when compared with that of lesser officials: for example, 20,000 and 15,000 rubles a month respectively in 1955, when the chief of a major factory received only 4,000-6,000. As perquisites of rank, moreover, ministers and deputies often enjoyed the luxury of a country estate and a chauffeur-driven limousine for personal as well as official transportation. The average Muscovite, often even the intermediate official, shares his apartment, rarely gets a car, and rides the subway to work.

Prior to the reorganization, USSR ministers were di-

rectly below party presidium members on the Soviet social ladder and participated regularly in the social whirl of the capital. They hobnobbed with foreign representatives and top national figures in politics and culture. Many traveled in recent years outside the USSR as members of government or technical delegations. Criticisms in the Soviet press reveal that the children of ministers are often members of the so-called "jet set," taking full advantage of parental rank to ensure luxurious living; some indulgent fathers have been publicly criticized for using their high positions to place their youngsters in "exclusive" schools or to protect them when they have been hauled into militia stations for drunkenness or disorderly conduct.

Assignment of these administrators to the sovnarkhozy will inevitably limit their social activities. Away from Moscow, they will lose the social opportunities enjoyed there. Joining the top social set in an oblast center apparently fails to offset this loss, which was probably a factor in the marked reluctance of some of them to leave the capital. However, some compensation has been attempted. According to Nikolay Baibakov, head of RSFSR Gosplan, reluctance to leave Moscow is being overcome by such "increased perquisites" as better housing.

**Administrative Practices**

Traditionally, each economic activity is pressed for production increases by its superior. Thus, subordinates strive to keep their particular plan from being set unreasonably high in relation to allocated resources and to allow a cushion for unforeseen developments. Besides more direct measures, this could involve the intentional understatement either of resources or of significant

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achievements in overfulfilling past plans, and might also prompt the building up of large inventories.

Difficulties which cannot be overcome by appeals to superiors or threats to subordinates must be solved, in implementing a plan, by under-the-table dealings with other enterprises or by widespread "moonlight requisition." The need to overcome the existing rigidities of the system is reflected in the widespread use of "pushers" or quasi-legal "expeditors." There is a slang term--"blat"--for the entire array of shady dealings which are practiced in order to evade the detailed and often unrealistic regulations from the center, and "blat" is evidently practiced in sufficient measure to oil the rigid economic machine.

If the plan is not fulfilled despite such measures, it becomes desirable to shift the blame; buck-passing may involve subcontractors, suppliers, or even the railroads.

In general, the consequences of making a wrong decision have been severe enough to outweigh the penalties for not making a decision at all. Thus the Soviet subordinate has been characteristically unwilling to assume responsibility not directly assigned him and reluctant in exercising initiative to adjust economy-wide directives to his particular local situation.

Under Khrushchev's reorganization, the emphasis on economic growth persists, and thus the strain on the economic administrator has not diminished. With administration closer to the working level, buck-passing will become more difficult. Local "blat" could become pervasive. The regime evidently hopes the new organizational structure will promote sufficient initiative at all levels

to overcome the stultifying formalism of the past.

Administration

Many of the problems facing the new sovnarkhozy administrators now are essentially the same ones they faced as USSR ministers and deputies, despite the radically altered administrative structure. The individual administrator's urge to succeed will be strengthened, particularly if a major incentive for increased production consists of allowing material produced in excess of assigned quotas to be used locally. Since the sovnarkhoz chairman is responsible for almost all production in his area, he is now required in many instances to supervise economic activities with which he is technically unfamiliar; he must be an economic generalist rather than a specialist. In such circumstances, he may rely heavily on past methods. Recent articles in the Soviet press already have condemned attempts of some sovnarkhozy to administer industry and construction in the "old bureaucratic way."

Political Influence

Recent events have reduced the influence of the industrial administrators considerably. Prior to June, eight of the 11 voting members of the party presidium were engaged in government administration, and five of these--Kaganovich, Molotov, Malenkov, Pervukhin, and Saburov--were working in industrial management and planning at the highest level. Following the purge of the "anti-party" group, however, government functionaries on the presidium were reduced to four.

On the central committee itself, prior to the June shake-up, at least 38 members and candidates were engaged in industrial administration or economic planning. Of these, 18

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headed ministries abolished in the reorganization. Some of them, like Molotov, Kaganovich, and Malenkov, may yet be removed from the central committee for past opposition to Khrushchev's policies, and others who have been assigned as chairmen of sovnarkhozy may lose their seats on the party's governing organs at the next party congress.

Under the specialized ministerial system of administra-

In the new system, however, the nationwide ministerial empires have been broken up and their responsibilities assigned to the sovnarkhozy. It seems unlikely that any single sovnarkhoz chairman will be able effectively to counter or to influence policies formulated in Moscow since he is only one among 105 fellow chairmen.

The generalized work of the economic councils themselves facilitates local pinpointing of responsibility in each area. Each chairman will be on his mettle to perform since there are more people at the local level who might be sufficiently qualified to administer a council of national economy but who might not possess sufficient talent or know-how to run a USSR or republic ministry.

This reduction of the political influence of the economic administrators has been accompanied by an enhancement of the party's traditionally vital role in economic affairs; Khrushchev has already stated that this will be one of the advantages of the new system. He has made it clear that the party will retain its prerogatives in the selection and assignment of leading cadres to the sovnarkhozy. Detailed control over sovnarkhoz activities is to be a primary function of oblast party first secretaries, who are in general the party counterparts of the sovnarkhoz chairmen.

The party will increase its traditional check on production results in individual enterprises. A recent Pravda editorial exhorted party organizations to take the problem of ensuring deliveries from sovnarkhozy "under firm control." Such developments may mean further incursions of the party into the field of industrial management.

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| GOVERNMENT ADMINISTRATORS IN<br>SOVIET PARTY PRESIDUM<br>(FULL MEMBERS) |  |
|---|--|
| BEFORE JUNE 1957  | AFTER JUNE 1957                        |
| VOROSHILOV<br>(Titular chief of state)                                  | VOROSHILOV<br>(Titular chief of state) |
| BULGANIN<br>(Premier)   | BULGANIN<br>(Premier)                  |
| MIKOYAN   | MIKOYAN                                |
| MOLOTOV   |  |
| MALENKOV  |  |
| KAGANOVICH  |  |
| PERVUKHIN   |  |
| SABUROV   |  |
|   | ZHUKOV                                 |

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tion, each minister headed a vital sector of the economy, such as coal production, on a nationwide basis. More often than not, he was also a member or candidate member of the party central committee. As the ranking spokesman on coal production, he was able to speak with considerable authority in Moscow on economic policies and planning. Moreover, the minister seemed to enjoy a semi-autonomous status probably resulting from his relatively unique talents in making his complex ministerial empire operate. To a great extent, the red tape, ramifications, and complexities of the ministerial system made the administrator who was successful at coping with them indispensable and hence able to resist many petty political pressures.

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**JAPANESE LABOR SEEKING STRONGER SOCIALIST PARTY SUPPORT**

Japan's largest labor organization, the leftist-dominated General Council of Labor Unions (Sohyo), is pressing the Socialist party to give greater support to labor's struggle for higher wages this fall and to combat anticipated government measures designed to weaken Sohyo's power. The Socialists want to cooperate with Sohyo, which has consistently supported Socialist candidates during elections, but fear losing control of the party to union leaders and alienating popular support because of Sohyo's past violent tactics.

The labor issue is also critical for the conservative Kishi government, which desires to curb the unions' power to disrupt vital economic services --such as transportation and power--and to undercut labor support for leftist causes. In the national elections for the lower house of the Diet, which are likely to be held in early 1958, the labor problem will figure prominently in the campaign. The "reactionary Kishi regime" is expected to be the major Socialist theme for a series of nationwide Socialist-sponsored rallies beginning in mid-September.

Labor Support for Socialists

Of Japan's total labor force of 40,000,000, only 6,000,000 are organized into unions; over half of those organized, however, belong to Sohyo. The labor movement is the main source of Socialist strength and, in the estimation of one high Socialist party member, delivered roughly half the 11,200,000 Socialist votes in the 1956 upper house elections. Almost one third of the 156 Socialists in the lower house of the Diet have Sohyo connections.

The Socialist party, composed of left- and right-wing factions, moved further toward

the left in the policies it adopted during its national convention in January. These policies are based on the premise that the Socialists will not be able to form a cabinet until the party has developed support among organized masses of voters. Such a position is largely that advocated by the left wing of the party, which is favored by Sohyo and which is determined in its efforts to create a working-class party with strong left-wing labor union support. The right-wing Socialists, on the other hand, favor expanding the party's base of popular support among elements other than labor and using parliamentary means, rather than strikes and violence, to obtain labor's aims. They receive their principal support from Japan's second largest labor organization, the moderate All-Japan Congress of Labor Unions (Zenro).

The leaders of Sohyo ultimately want a powerful labor party and are continuing their support of the Socialist party until they gain enough strength to take it over.

Sohyo Seeks Support

Sohyo has accused the Socialist party of only "passive" cooperation in opposing growing government resoluteness toward labor during the spring and summer of 1957, and of encouraging a secessionist movement within a major Sohyo union which had engaged in extreme activities. It has called on the Socialists for positive support in opposing expected government restrictions of union power, and probably expects Socialist Diet members to act as leaders in demonstrations.

The Socialists' executive committee, in response to these demands, has agreed to aid labor more actively and to curb support for the secessionists. At the same time, it warned Sohyo to take more realistic account

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of public opinion in planning tactics, and to adopt policies which the Socialists could support without alienating the voters.

Factional strife and corruption within the Socialist party make it vulnerable to Sohyo pressure. Furthermore, the party is dependent on labor's support in elections and in furthering Socialist programs. The party is also acutely aware, however, of the adverse public reaction to the railway strikes this spring and is unwilling to alienate the support of the non-labor electorate. Therefore, the degree of Socialist support will depend on the type and scope of Sohyo's tactics in its fall wage offensive.

Sohyo is aware of the adverse public opinion resulting from past strikes, and in its present approach to the Socialists is apparently promising less forceful tactics in the fall. Most Sohyo leaders appear concerned over expected government retaliation against extreme tactics and are disposed to refrain from violence for fear of provoking a stronger government reaction.

Socialist party chairman Mosaburo Suzuki recently announced that the party, with the cooperation of major labor groups, is prepared to force a showdown with the Kishi cabinet and its "reactionary" labor policy. This announcement may foreshadow a unified labor front under Socialist leadership. A united labor front has heretofore been impossible because of competition between the rival Sohyo and Zenro organizations for the support of individual unions.

**Government's Position**

Prime Minister Kishi's government appears determined to maintain a firm line against what it and the general public consider excesses on the part

of the public enterprise workers in Sohyo. The government is expected to be less cautious in the future exercise of its authority under existing labor laws, which prohibit a recourse to strike tactics by public corporation and government enterprise workers, but its over-all labor policy will probably be governed by the degree of popular support it receives for its labor policies.

The government, in an effort to disrupt labor unity, recently promoted certain railway supervisory employees to a managerial level outside union jurisdiction. It has also proposed that school principals and their assistants be similarly elevated, thereby removing them from the leftist-dominated Japan Teachers' Union, a major Sohyo affiliate. Moreover, the government has hinted that under future union contracts it will no longer deduct union dues in advance from salaries.

The most recent action by the government to discourage labor violence and undercut the autumn wage campaign was to grant a slight increase to railway workers. Most members of the National Railways Workers Union, which has frequently spearheaded Sohyo's wage offensives, will be satisfied with the increase offered. The government's action is in keeping with Kishi's long-range hope to sap Sohyo's strength and thereby deprive the Socialists of their principal support.

The Socialist party's announced readiness to support Sohyo in its demands against the government, however, does not settle the basic question of the degree to which Sohyo can dictate to the party and thereby expand labor's influence in politics. Moreover, this decision by the party may only aggravate the differences between its right and left wings.

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